in the right way for the wax and the vigour with which they made use of the demoralising weapon of inflation,

It followed as a necessary consequence that the volume of legal tender currency had to be greatly increased. As prices rose wages rose with them, and so much more "cash" was needed in order to pay for a turnover of goods which, fairly constant in volume, demanded more currency because of their inflated prices. As the Committee says in its Report (Page 5) : "Given the necessity for the creation of bank credits in favour of the Government for the purpose of financing war expenditure, these issues could not be avoided. If they had not been made, the banks would have been unable to obtain legal tender with which to meet cheques drawn for cash *on* their customers' accounts. The unlimited issue of currency notes in exchange for credits at the Bank of England is at once a consequence and an essential condition of the methods which the Government have found necessary to adopt in order to meet their war expenditure."*

The effect of these causes upon the amount of legal tender currency (other than subsidiary coin) in the banks and in circulation is summarised by the Committee in the following table :—

* The amounts on June 30, 1914, may be estimated

as Iullows :•• —

Fiduciary Issue of the Bank of England .....
£18,450,000

Bank of England Notes issued against gold coin or bullion.....
38,470,000